national farmers union
In Union Is Strength
...ENUE SOUTH
...ASK. S7K 2M1
...06) 652-9465

National Farmers Union

Submission

to the

Standing Committee on Agriculture

on the subject of

Bill C-25 - Amendments to the
Agricultural Stabilization Act

...a, Ontario June 6, 1985

250C - 2ND AVENUE SOUTH
SASKATOON, SASK. S7K 2M1
TELEPHONE (306) 652-9465

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We appreciate the opportunity of discussing proposed amendments to the Agricultural Stabilization Act as outlined in Bill C-25.

The Agricultural Stabilization Act passed by Parliament in 1958 was viewed as an improvement over the Agricultural Prices Support Act of 1944-45. The support levels offered by the A.S.A. were set at a minimum of 80% of the previous ten year average market prices compared to a maximum of 80% of the previous three year average prices under the old Act.

The purpose of the new A.S.A., as explained in its preamble, was to assist farmers to realize "fair returns" for their labour and investment, to maintain a "fair relationship" between prices received by farmers and the costs of the goods and services they had to buy, and to provide farmers with a "fair share of the national income". That this has not occurred is a matter of record.

In 1975, the A.S.A. was amended to raise support prices to 90% of average market prices over the five previous years.

While it has been apparent that the 1975 amendments also have failed to provide adequate price and income stability to producers, it is worthwhile to briefly comment on the underlying philosophy of the A.S.A. as originally passed and examine the effect proposed amendments as outlined in Section 10 of Bill C-25 will have upon the future direction of stabilization in Canada.

Stabilization is essential in the first instance because of the failure of the marketplace to generate adequate returns to producers. Market prices reflect demand, not costs of production. As price takers, farmers individually have no bargaining power in the

marketplace. Power is concentrated in the hands of relatively few buyers who are often able to draw upon alternate sources of supply - domestically or internationally, to keep farm prices down. The objective is profit - and the means toward this end is to buy as cheaply as possible and sell for as much as possible. This, as we know, can bankrupt farmers.

Governments generally support a cheap food policy - but can't entirely afford to allow the free market system to totally destroy domestic production potential. Stabilization represents a bridge between the pitfalls within a free market pricing system and the relative calm under an orderly administered pricing system.

The A.S.A. of 1958 was conceived as a national stabilization scheme. All producers of named commodities under the Act were eligible for stabilization protection as a right on an equal basis, without the payment of individual premiums or provincial government involvement.

The provision of price stabilization was, in short, accepted as a national policy responsibility with universal application for named commodities.

Its price protection shortcomings have, however, been particularly evident in the red meats sector which has contributed in turn to the general breakdown of national stabilization programs under A.S.A. for these commodities.

No stabilization payment was triggered for 1984, for example, although a record number of farmers went bankrupt and the numbers of our beef cows on farms as of January 1, 1985 was 5 per cent fewer than for the same period one year earlier. (See Appendix B)

For slaughter cattle, the support price for 1984 was set at \$67.26 per cwt. while the market prices averaged \$75.61 per cwt., well below what is considered to be an average cost of production. Slaughter lambs brought \$82.55 per cwt. on the market while the support price was \$72.52. Hogs averaged \$73.17 per cwt. on the market against a support price of \$69.35 per cwt.

The announcement of support price levels "after the fact" is a serious weakness of the current stabilization plan. Producers cannot base their production plans on unknown levels of support although there should be no apparent reason why these could not be calculated in advance with reasonable accuracy.

As an organization, we have not welcomed the fragmentation by provinces of a national approach to stabilization of red meats. Balkanization of stabilization or income protection programs initiated by provinces are bound to distort natural advantages that may exist, and weaken national unity when the treasuries of the "have" provinces are pitted against the "have not" provinces. The failure of the A.S.A. to adequately stabilize the income of producers has resulted in destabilization of production and left some provinces with no real alternative but to unilaterally enact programs to sustain the viability of production and related industries in their respective jurisdictions. It is not difficult to understand why producers are reluctant to enroll in a tripartite plan when their provincial plan has more protection.

The introduction of Section 10 in Bill C-25 may be regarded as an attempt to get the country back "on track", however, we respectfully point out it also introduces features that allow a departure from the basic tenets of the original Agricultural Stabilization Act.

For example, the optional entry by provinces into proposed price stabilization schemes results in the establishment of separate identifiable stabilization plans within a stabilization plan.

This is further complicated by allowing the optional participation in the tripartite plan of producers within the participating provinces, thereby creating a multi-tiered form of stabilization and detracting from the concept of universality and uniformity.

It is conceivable that Canadian producers of the same product can in future qualify for stabilization in any one of the following ways:

The announcement of support price levels "after the fact" is a serious weakness of the current stabilization plan. Producers cannot base their production plans on unknown levels of support although there should be no apparent reason why these could not be calculated in advance with reasonable accuracy.

As an organization, we have not welcomed the fragmentation by provinces of a national approach to stabilization. The many different methods of stabilization or income protection programs initiated by provinces are bound to distort natural advantages that may exist [illegible] when the treasuries of the "have" provinces are pitted against the "have not" provinces. The failure of the federal [illegible] to adequately stabilize the incomes of producers has resulted in the balkanization of production and left many producers with no real alternative but to unilaterally enact programs to sustain the viability of production and related industries in their respective jurisdictions. It is not difficult to understand why producers are more inclined to enroll in a [illegible] than where provincial plans [illegible] more protection.

The incorporation of Section 11 in Bill C-15 may be regarded as an attempt to get the country back "on track"; however, [illegible] legislation that takes a departure from the basic thrust of the original Agricultural Stabilization Act.

For example, the optional entry by producers into guaranteed price stabilization schemes results in the establishment of separate [illegible] stabilization plans within a stabilization plan.

This is further compounded by allowing the optional participation of producers in what is essentially a [illegible], thereby creating a multi-tiered level of stabilization and detracting from the principle of equality and uniformity.

It is conceivable that [illegible] of the same [illegible] and create the following scenario:

1. In provinces outside the tripartite stabilization plan:
   - Involvement in a provincial plan, **or**
   - Coverage only through A.S.A.

2. In participating provinces:
   - Involvement in a tripartite plan, **or**
   - Coverage only through A.S.A. (if it remains applicable to non-participating producers).

While it has been estimated that within the four provinces willing to participate in the national tripartite program are 94 per cent of beef cattle; 88 per cent of cow-calf operations; 57 per cent of hog production and 79 per cent of sheep production, it is not accurate to assume that under a voluntary program all producers will participate. The participation rate will hinge to a large extent on the level of coverage.

A condition for provincial entry into a federal tripartite scheme is the ending of so-called "top loading". We agree. However, some provinces do not regard the proposed tripartite plans as rich enough to sustain production within their boundaries and are opting to remain outside the federal program for that reason. In provinces which comply with the no top-loading provision, it is possible that "bottom-loading" can achieve similar results and is more difficult to monitor. The possibility of that distortion will always remain.

An additional constraint to full provincial participation in a national tripartite plan is the apparent inability of the plan to accommodate or adjust to the reality that production costs can and do vary between regions. Within the context of a national policy, must it necessarily follow that stabilization programs be designed to benefit primarily those regions or special interests within regions which possess the greatest cost advantage?

As an example of a special interest within a region that may have a cost advantage over others, we ask you to consider a circumstance where vertically integrated hog operations producing primarily for the export market will share stabilization payments in equal proportion with all other producers. The upper limit of 2,000 hogs per quarter recommended as eligible for stabilization has the poten-

tial to provide large sums of income to such operations and encourage their expansion.

A further distortion would occur should the Crow benefit method of payment be changed from the present payment to the railways and be made to prairie producers instead. The immediate impact would be to reduce the farm gate value of feed grains by about $22/t. The grain producer would receive a price for his feed grain in the local domestic market based on the discounted price reflecting the full cost of freight. On commercial sales he would become eligible to receive a $22/t Crow benefit payment (or Grain Transportation Refund - GTR - as the Hall Committee calls it). On any grain the producer may feed his own livestock, he will not receive the $22/t GTR. Therefore, the input cost of his feed grain is at least $22/t higher than it is for the commercial buyer. This would also discriminate against his competitive position in the sale of his livestock and could drive him out of livestock production.

No discussion of the price stabilization of red meats is complete without reference to the current trading difficulties in which we find ourselves.

Producers are bewildered by the sudden and harsh protectionist stance the U.S. government has applied against our pork exports on the grounds of subsidization, while on the other hand our Meat Import Act is obviously unable to stem the importation of highly subsidized E.E.C. beef into this country.

To further add to the confusion is the reported statement of the federal Minister of Agriculture to this Committee on May 30th suggesting that if the legislation for tripartite stabilization programs is not acceptable to Canada's trading partners, all forms of government stabilization aid to farmers may have to be dismantled.

The very clear implication is that we are not masters in our own house. If that is the case, it is intolerable to our organization and, we believe, producers in general.

The recent tariff applied against Canadian pork exports to

the U.S. have had an adverse price impact upon producers far exceeding the level of tariffs. Total hog marketings, including those consumed domestically, have suffered price declines beyond all justifiable levels. Since April 1st, average hog prices have dropped by at least $8/cwt.

The retreat by government from its announced beef import quotas of 146.6 million pounds for 1985 has revealed our Meat Import Act to be a total farce. Reports on the outcome of recent "negotiations" with the E.E.C. and the U.S. suggest the government has agreed to quotas which would allow as much as 215 million pounds of beef and veal into the country, about 25% more than was imported in 1984. This is appalling and totally unacceptable considering that per capita beef consumption declined from 88.2 lbs. per capita in 1983 to 84.5 lbs. per capita in 1984.

The impact to stabilization and income levels of producers resulting from trade policies that depress domestic prices should need no elaboration. As annual average market prices decline, so do inevitably stabilization levels. Farmers get caught in the price squeeze. The greater the amount of meat imports used in domestic consumption, the lower the amount of domestic production that qualifies for stabilization protection. It is a self-defeating vicious circle in which the primary producer ends up on the bottom of the economic heap.

Evidence of the sorry plight of red meat producers has been documented in farm bankruptcy statistics. In 1984, over 58% of farm bankruptcies involved livestock operations.

The "1984 Farm Survey" of the Farm Credit Corporation observed:

"The red meat producers have experienced a significant decrease in their net worth over the last three years. Not only did their long-term assets decrease in value, but their liabilities also increased suggesting very low or negative returns on their investment."

While the issue of improving the red meats stabilization program has been the subject of discussion between the federal and provincial agriculture departments for approximately ten years, no serious thought has yet been given to implementing fundamental market reform.

Conventional wisdom dictates that the free marketplace is the best allocator of supply, but as we have experienced with the U.S., there is no free market, nor do we apparently possess market freedom in protecting our markets from beef imports. The overwhelming market power of the importing corporations has clearly reflected itself as political power as well.

We emphasize again that stabilization, in itself, is no substitute for an effective orderly marketing system for red meats as a first priority, combined with stabilization if necessary.

The NFU has for some years now advocated the organization of a National Meat Authority with full powers over import and export licensing of red meats. We once again recommend it for your consideration as outlined in Appendix A. Until some action is taken on the marketing issue, we are merely discussing the symptoms and not the cause of the problem.

In the interim, we recommend that proposals for amending the Agricultural Stabilization Act as outlined in Bill C-25 and Section 10 of the bill specifically include the following provisions:

1. Stabilization levels should be established to reflect full costs of production, including a fair return on labour and investment. Within that context the 3% limit toward stabilization premiums proposed for each of the federal government and participating provinces may not be adequate. It should remain full tripartite in cost as well as participation.

2. We support the concept of limiting the payment of stabilization to any single producer. That upper limit should reflect domestic needs and only production exceeding the upper limit of eligibility should become ineligible for stabilization payments. In short,

large integrated operators would not benefit from stabilization as much as smaller family farm operations.

3. Regional disparities in production costs should be considered in the formula used in determining stabilization levels.

4. Quarterly payments should be made.

5. Basic stabilization levels should be announced in advance to assist producers in production plans.

Additionally, we recommend immediate steps be initiated by this committee to tackle the even greater task of market reform. Over the past ten years numerous studies of the meat industry have revealed countless inefficiencies and abuses and made numerous recommendations for reform. Essentially, nothing has been done.

This government has indicated its priority to take action on the deficit. We are convinced that current inefficiencies in the market system for red meats do not maximize market returns for producers. To the extent it does not, it costs the government money in the form of stabilization funds.

POTATOES:

No agricultural product produced in Canada is subject to wider price swings at the grower level than are potatoes.

While a basic and fundamental need of the industry is a complete overhaul and reorganization of the marketing system, we recommend that potatoes be added to the list of named commodities under the Act.

Over $42 million has been paid in stabilization to potato producers in the 5 year period, 1977-78 to 1981-82. That is the greatest amount of stabilization paid for any commodity in that period with the exception of hogs and transfers to the Canadian Dairy Commission.

A.S.A. Payments for Potatoes
1977-78 to 1981-82

1977-78	1978-79	1979-80	1980-81	1981-82
1,527,799	19,669,496	4,525,059	3,750,499	12,561,671

Source: Annual Report of the Agricultural Stabilization Board 1981/82

Prices for 1984 production ran at about one-half of 1983 average prices and a request for stabilization for the 1984 crop has been made to Agriculture Minister John Wise by producers. We urge that this be done and concurrently recommend potatoes be included as a named commodity under Bill C-25.

On May 31, 1984, the Privy Council established a Commission of Inquiry into Marketing Practices for the Potato Industry in Eastern Canada. Justice Francis G. Carter was named Commissioner. On November 8, 1984, your government announced the inquiry would not proceed.

This is a matter of considerable regret to our organization. It is our view the an indepth study of the industry was necessary before fundamental change to improve the lot of potato producers could occur. The problem simply cannot continue to be ignored. Need for stabilization in six of the past eight years is sufficient proof to understand why potato producers have been forced out of business and good cultural practices are impossible. The situation begs for solution and government must remove the blinkers on this issue.

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All of Which is Respectfully
Submitted by:

NATIONAL FARMERS UNION

APPENDIX A

Principle Considerations for a National Meat Authority:

Introduction:

The National Farmers Union has a long standing policy of orderly marketing for farm products. It is the keystone to an overall policy that advocates the farm family remain as the basic unit of food production and retain the ownership and control of land used for food production.

The free market system has been identified as a major cause of instability to the farm family concept, as farmers must compete against each other for markets for their products among relatively few buyers. As a consequence, farmers are cast in the role of "price takers".

The result of this method of selling is that farmers compete against each other for market shares, rather than buyers competing against each other for the farmers' products. The inevitable effect is that "competition destroys profits". With the added inability on the part of farmers to recover production costs in the prices they receive, the number of farmers remaining in farming continues to dwindle.

None of the foregoing observations are new. It has always been this way for farmers. From time to time attempts have been made through organized efforrt to "change the system". The organization of co-operatives and some marketing boards serve as examples. But only a very few have resulted in attaining price and income stability for farmers. Most have continued to rely on an imperfect market system as the price discovery mechanism.

At a meeting of the NFU Executive held on July 31, 1981, a decision was made to once again step up the campaign for change, particularly as it applies to the marketing of red meats. A committee of three was established to consider concepts for a National Meat Authority.

The initial efforts of the Committee follow:

Objectives:

The objectives for a National Meat Authority are to balance the production, consumption and trade in beef, pork, sheep and lamb, turkeys, broilers and eggs produced in Canada with a view toward:

a) Attaining full self-sufficiency of the regulated products;
b) Developing sufficient export markets to achieve, as a minimum goal, balanced trade in volume for each commodity;
c) Encouraging the production of the regulated products on as broad a basis as possible, consistent for the retention of family farms as the basic production unit;
d) Providing for consumers adequate and high quality supplies of the regulated products at stable prices;
e) Returning to producers prices for their products which will reflect their costs of production and a reasonable return on investment, management and labour.

The foremost requirement in attaining a National Meat Authority is the need for an enlightened public policy at both the federal and provincial levels of government, as well as an enlightened farm community, prepared to recognize that the above objectives are unattainable without considerable intervention and regulation of the present free market system for farm products.

Without the element of some public planning, the instability evident in our red meat industry would more severely have destablized the currently regulated turkey and egg industries. Only through the encompassing of public planning into all sectors of secondary livestock production can the exploitation of basic food producers be ended.

Through the designing of "value" for livestock products which takes into account considerations based on nutrition as well as the development of balanced domestic cost-price relationships between various products, consumption patterns can develop which all contribute toward stablle and predictable production patterns and thereby result in a healthy and stable growth in the industry. The thought associated with this statement is the belief that if the prices of the various products have an established relationship to one another, consumers will develop consumption patterns based on preference rather than on price which will enable more accurate forecasting of future supply needs. Producers of differing products will be able to live with one another rather than off one another, since there would be no further need to attempt to gain greater market shares, for pork, for instance, through convincing consumers to eat less beef.

Requirements:

Legislative powers of sufficient scope to achieve these stated objectives are required. These would include, at the federal level, similar authority given the Canadian Wheat Board by the Parliament of Canada as is possible under the Canada Act, including the following:

1. Regulation of trade and commerce (including sole power over imports and exports through licensing or by direct involvement).
2. Authority to bring local works and undertakings (in this case livestock yards, processing plants, abattoirs, etc.) under federal jurisdiction by declaring them to be "...works for the general advantage of Canada".
3. Control over transportation such as trucks and railways operating in or connecting two or more provinces.

Through a federally appointed Authority fully representative of all product sectors and in addition to the above powers, the federal jurisdiction would need to be fully exercised in:

4. The grading of livestock and poultry and livestock and poultry products (including the grading of beef on a carcass basis).
5. Establishment of basic prices and price spreads between grades for each of the regulated products.
6. Establishment of provincial market shares based on historic production patterns adjusted to current demand and forecasts and in cooperation with the provinces. Provinces would be required to delegate market powers to the federal jurisdiction.

7. Registration of all producers for establishment of individual market shares of the regulated products. The NMA shall declare eligibility for exemption of producers.
8. Development of average cost of production formulas for each of the regulated products and between geographical regions.
9. The full farm cost of production formula prices for each product shall be the entry price into the domestic marketplace and price margins thereafter shall be regulated up to retail level. Losses on export sales would be compensated to the NMA from the Agriculture Stabilization Fund.
10. An important need in the development of product formula prices is the presence of stable feed grain supplies and prices. The marketing and pricing of all domestic commercial feed grain sales in Canada should be placed under the jurisdiction and control of a Canadian Grains Board.
11. One desk selling for all livestock and livestock products is needed. Since one of the objectives of a NMA would be to harmonize price and consumption relationships between the various commodities, competitive bidding would distort this objective. Therefore, the function of single desk selling might take on the task of allocation of available supplies between the various interest groups rather than direct price negotiation, since prices would be set periodically by formula adjustments.
12. Cost of program operations would be met by the assessment of levies against the regulated products.
13. All buyers of the regulated products, whether for domestic trade or for export, who as agents of processors, wholesalers, distributors, retail chains, are authorized to deal directly with the NMA on behalf of themselves or a third party, would be licensed and bonded.
14. The NMA shall have powers over all exports and imports directly or by licensing of regulated products and retain control over interprovincial and intraprovincial movement.
15. The NMA shall establish in each geographic region and/or province, an administrative structure to regulate and monitor the trade in each of the regulated products.
16. The NMA would be vested with full regulatory powers to impose penalties over all violations related to the buying, selling, processing, transportation and distribution of regulated products.
17. The NMA shall have the power to impose penalties on over quota production by producers.
18. All individual market share quotas shall be deemed to remain the property of the NMA and revert to the NMA's control and disposition, through its provincial administrations in the event of a producer retiring from production for any reason. Producers would have the right to transfer quota to their immediate family.
19. The NMA shall have the power to remove surplus production from the market and dispose of it in the most advantageous manner through forward contracting into export, retaining for future need, sale to governments for foreign aid or domestic welfare programs.
20. The NMA shall designate terminal centres for assembly and distribution of the regulated products.
21. The NMA shall undertake research into market potential for all regulated products both domestically and into export.
22. The NMA shall report annually to Parliament to review market experience and assess future production targets for all regulated products. The NMA shall allocate production increases to provincial jurisdictions and through its provincial administrations to individual producers on a priority basis.
23. The NMA shall report periodically to producers through public information meetings, newsletters, etc.
24. Develop all such production, marketing and pricing regulations as may be necessary and specific to each of the regulated products within its jurisdiction.

Priorities:

While we visualize the ultimate realization of a National Meat Authority fully embracing beef, pork, sheep and lamb, turkeys, chickens and eggs, it is accepted that such an all embracing agency would be the result of longer term evolution in its attainment.

Priorities have been considered for a sequence of events in the development of a National Meat Authority to occur in the order that follows.

1. The first step is the obvious need to acquire enabling legislation at the federal level. This would require acceptance by and commitment from the federal government to the philosophy and principles of a NMA concept.
2. Concurrent with Number 1 above, is the need to develop a plan for red meat, which represents the area of greatest marketing problems. It is recognized that the marketing plans for each commodity would vary in detail and thus a plan would need to be developed for each.
3. Lower priority has been given to the inclusion of turkeys, chicken and eggs into the NMA since orderly marketing systems of varying degree are now functional for these products under the umbrella of the National Farm Products Marketing Act. However, once success is achieved in marketing red meats, negotiations could follow with government for the phasing in and transfer of regulatory powers from the N.F.P. Council and the respective provincial governments to the NMA for the marketing of chicken, turkeys and eggs.

Concepts for a Beef Marketing Plan:

Introduction:

The "boom and bust" cycles that have characterized the beef industry over the years have resulted in the loss of hundreds of millions of dollars to beef producers. Further compounding the problems of balancing supply with consumption has been the erratic price behavior of the market place and the escalating increases in production costs.

Farms and ranches throughout Canada who maintain basic breeding herds are the primary sources of beef cattle eventually finished for the Canadian slaughter market. The average size of beef cow herds in Canada is 26.5 cows according to the Senate Study on Alternative Marketing and Stabilization. Many of the calves produced in these operations are surplus to the finishing capacity of the farm units concerned and are eventually offered for sale to other farmers or commercial feedlots for finishing to slaughter weights.

When market prices for slaughter cattle are below costs of production, market prices for feeder cattle often fall sharply, either through lack of demand or because secondary feed lot operations seek to retrench their viability by reducing the input cost of feeder cattle — or both.

The Senate Study further estimates that in Alberta 70% of fed cattle are finished in commercial feedlots and 60% are so finished in Ontario, with the balance finished on farm feedllot operations. This indicates the large degree of dependence cow-calf producers have for their income needs on a stable market for feeder cattle.

It, also, implies that if Canada is to have a stable beef industry in future, the income needs of cow-calf operators are

of primary importance and must be accomodated in any beef marketing plan which envisions a supply management concept.

Basic Considerations:

1. In order to be effective, a beef marketing plan must be national in scope and its support provisions must be uniform and universal.
2. A national marketing agency must have all the authority provided through one-desk selling that would enable it in general terms, to:
   a) Represent all producers in the sale of the product to processors, wholesalers, distributors, etc.
   b) Regulate imports and exports.
   c) Control the assembly and distribution of the product.
   d) Develop production targets and controls over supply and allocate same on a proportionate basis by province and to producers.
   e) Exercise such other powers as are needed to effect overall stability to the production, marketing and pricing of the regulated product.
3. Notwithstanding the foregoing, the task of any national beef marketing agency would be considerably assisted through the parallel presence of an orderly pricing and marketing system for feed grains in order that the price instability of this important cost item might become more predictable and less disruptive in its effect to the pricing of feeder cattle.

Alternative Considerations:

In considering a national marketing plan for beef, some basic alternatives include:

1. A marketing plan with a basic cost of production formula for slaughter cattle.
   a) Producers are paid through stabilization or insurance fund; the difference between market prices and the formula price, thereby allowing marketing forces to function unimpeded.
   b) The formula price of the plan becomes the market floor price for slaughter cattle. Buyers compete for supply on the basis of price competition above the floor price. Such a plan would not require a stabilization program. Price stability resulting from such a program would presumably be reflected in parallel stability for feeder cattle.
2. A marketing plan for feeder cattle which features a basic cost of production formula.
   a) Feeder cattle surplus to the needs of producers are sold to potential buyers. Shortfalls in selling prices are comensated through stabilization or insurance payments.
   b) Feeder cattle surplus to the needs of producers are offered for sale at basic prices related to a cost of production formula for top grade feeder animals. Price spreads for other grades would be established and weight price differentials established. Such a plan would require a two tier cost of production system which would relate the cost of production formula for feeder cattle with that of slaughter cattle. Slaughter cattle would enter the processing system at the cost of production price

Of these four alternative approaches, the combined feeder-slaughter program described in 2(b) would be the most satisfactory.

Principle Considerations for a Feeder-Slaughter Cattle Marketing Program:

1. Basic legislation establishing a National Meat Authority with necessary federal powers and delegation of appropriate provincial powers is a prerequisite.
2. The federal government would appoint a chairman and commissioners (from 5 to 10 in number depending on whether each geographic region or each province is to be represented on the NMA).
3. A research department would be established within the NMA to develop parallel cost of production formulas for feeder cattle and slaughter cattlle and determine such other basic information as would be required by the NMA.
4. A policy objective of the NMA should be the minimum achievement of self-sufficiency for domestic beef requirements and the development of stable export markets as well as maximizing returns for the product to producers and stabilizing price and supply to consumers.

Methods for Implementation:

1. Initially, all owners of beef cow herds or owners of dairy herds who cross breed dairy cows with beef cattle for the purpose of producing feeders to finish custom feeding or for sale, would register with the NMA. In this way, the basic and average size of the beef breeding herd and the total number of producers can be established. Additionally, the annual sale of dairy and beef culls would be estimated as well as animal bred for export.
2. Tabulation on the size of beef breeding herds and the number of producers would assist in determining the initial market share quota for each producer and each province. A further extension of this tabulation would include information on each active producer's beef production record in the previous five years to develop an historic pattern of beef production. In addition, his/her capability for and interest in expanding beef production in future for finishing, custom feeding and sale of feeder stock should be obtained. This would provide some indication on potential size and volume capability for beef production.
3. Parallel to registration of producers would be the registration of farmers and commercial feedlot operations who purchase and feed cattle from feeder weight to finish. The numbers currently being fed, past five year feeding record and potential feeding capacity, would be determined in order to develop an allocation system for commercial feeder cattle. Custom feed lot operations would also register and report their historic record of feeding, current levels of feeding and existing capacity for feeding. This information would assist in narrowing down the number of commercial feeder cattle available for allocation and/or export.
4. A cost of production formula price for feeder cattle of top grade in the 400 lb. weight class would be the entry price into the market and constitute the NMA benchmark for prices for other grades and weights of feeder cattle offered for sale, These price ranges may be regulated and applied on a sliding scale (ie: $ per cwt. would decline as weight of feeder cattle increases). This procedure indicates the need for establishment of grading standards for feeder cattle.
5. The NMA, through its designated agents, would be the sole seller of all feeder cattle offered on the commercial market. It would receive orders for purchase from buyers, develop export markets and administer the assembly, allocation and disposition of all stock. Farm to farm sales could be accommodated.
6. The cost of administration in its marketing program would be assessed against the feeder cattle sold, but this cost would be included in the cost of production formula.
7. The cost of production formula established for cattle for slaughter weight would constitute the price of entry into the processing sector. Price differentials by grade, weight and sex would be established.
8. The NMA would be responsible for the assembly, allocation and distribution of all slaughter cattle sold into the domestic commercial market and would have power over all imports and exports of live slaughter cattle, dressed beef and beef products.
9. Administration costs would be recovered from an assessment levied on slaughter cattle but would be included in the cost of production formula.
10. As the full regulatory agency, the NMA would be able to exercise control over total beef supplies entering the market by projecting supply against future demand needs. this would enable it to level out the flow of cattle going to market

and further regulate supply by calling forward cattle of lighter or heavier weights, removing surplus feeder cattle for slaughter, seeking additional markets or sources of supply.

11. The NMA would declare all commercial and custom feeding facilities, processing plants, abattoirs, etc. as "works for the general advantage of Canada" and require all such facilities to be registered and licensed. (Feed millls and country elevators now are.)

12. The NMA would have powers to impose penalties on all violations related to the buying, selling, processing, transportation and distribution of regulated products.

13. In the allocation of increases in the cow herd by province, the present production level would constitute the first step in allocation. Future increases would be related in a proportional way to historic production patterns which would assure that production increases occurred in the most efficient production areas.

14. Provincial increases in the cow herd would be granted to individual producers on a priority system which would give priority to smaller operators, beginning operators, and larger operators.

15. The NMA would report on its operations annually to parliament and report periodically to producers through public information meetings, newsletters, etc.

Constraints:

1. The preceeding model is conceived as one which would best serve the interests of producers and consumers because it is orderly, efficient and just. It would replace the current free market system for determination of "value" based on profit opportunity for the buyer with an administered price system, for determination of "value" based on the producer's cost of production.

The major constraints to this concept are:

a) The willingness of federal and provincial governments to exercise their powers to effect the needed legislative changes;

b) The willingness of the various power groups operating under the present system to cooperate (as they now partly do in the sale of industrial milk and eggs).

2. The model projects the cost of production prices for feeder and slaughter cattle as being the market prices. As a consequence no stabilization program would be needed. The major constraint at present to this concept is that other red meats (pork, sheep and lamb) would be open priced. Since producers of these products often sell at below cost of production we can assume beef prices would be relatively higher and could result in a further drop in consumer demand and threaten the total concept.

An interim beef stabilization program might need to be developed to offset the ill effects of price competition from pork, mutton and lamb. Turkeys and broilers could also compete in this situation since they are now priced provincially. Under no circumstances should a National Beef Stabilization program be accepted unless it is in conjunction with a single desk selling program based on a cost of production formula and represents a step toward establishing a NMA.

3. A further constraint to the effective operation of a NMA plan for beef is the current system of marketing for feed grains.

All commercial domestic feed grains sold in Canada need to be placed under an orderly marketing system and sold under a cost of production formula which will recognize comparative value in feeding. This would establish a degree of price equality between regions and stabilize the beef cost of production formula.

4. Our commitments under the GATT which, beginning in 1980, guaranteed minimum access to beef exporting countries of 139.2 milllion pounds of dressed beef with increases in minimum quota for future years in proportion to population increase.

APPENDIX B

Report on Livestock Surveys

January 1, 1985

Cattle, Pigs and Sheep

Source: Statistics Canada - Catalogue 23-008

TEXT TABLE I. Total Pigs: Number on Farms, by Province, 1984 and 1985
TABLEAU EXPLICATIF I. Total des porcs: Nombre dans les fermes, par province, 1984 et 1985

Province	1984 January 1, 1er janvier	1984r April 1, 1er avril	1984r July 1, 1er juillet	1984r October 1, 1er octobre	1985 January 1, 1er janvier	January 1, 1985 as a % of January 1, 1984 1er janvier 1985 en % du 1er janvier 1984
	thousands - milliers					%
Newfoundland - Terre-Neuve	20.9	20.2	19.5	19.5	19.9	95
Prince Edward Island - Ile-du-Prince-Edouard	121.0	121.0	122.0	120.0	116.0	96
Nova Scotia - Nouvelle-Ecosse	154.0	155.0	158.0	160.0	162.0	105
New Brunswick - Nouveau-Brunswick	125.0	126.0	125.0	127.0	127.0	102
Quebec	3,380.0	3,325.0	3,405.0	3,430.0	3,340.0	99
Ontario	3,575.0	3,500.0	3,490.0	3,500.0	3,500.0	98
East - Total - Est	7,375.9	7,247.2	7,319.5	7,356.5	7,264.9	98
Manitoba	1,060.0	1,027.0	1,080.0	1,125.0	1,100.0	104
Saskatchewan	625.0	640.0	635.0	670.0	665.0	106
Alberta	1,410.0	1,425.0	1,450.0	1,500.0	1,490.0	106
British Columbia - Colombie-Britannique	270.0	275.0	275.0	275.0	272.0	101
West - Total - Ouest	3,365.0	3,367.0	3,440.0	3,570.0	3,527.0	105
CANADA	10,740.9	10,614.2	10,759.5	10,926.5	10,791.9	100

TEXT TABLE II. Sows for Breeding and Bred Gilts: Number on Farms, by Province, 1984 and 1985

TABLEAU EXPLICATIF II. Truies pour la reproduction et jeunes truies saillies: Nombre dans les fermes, par province, 1984 et 1985

Province	1984 January 1, 1er janvier	1984 April 1, 1er avril	1984r July 1, 1er juillet	1984r October 1, 1er octobre	1985 January 1, 1er janvier	January 1, 1985 as a % of January 1, 1984 1er janvier 1985 en % du 1er janvier 1984
	thousands - milliers					%
Newfoundland - Terre-Neuve	2.1	2.1	2.0	1.9	1.9	90
Prince Edward Island - Ile-du-Prince-Edouard	13.9	13.9	14.0	13.8	13.5	97
Nova Scotia - Nouvelle-Ecosse	15.6	15.6	15.6	15.9	16.0	103
New Brunswick - Nouveau-Brunswick	14.3	14.9	14.8	15.0	15.1	106
Quebec	330.0	335.0	330.0	325.0	320.5	97
Ontario	387.0	387.0	385.0	380.0	380.0	98
East - Total - Est	762.9	768.5	761.4	751.6	747.0	98
Manitoba	113.0	113.0	116.0	117.0	115.0	102
Saskatchewan	68.5	70.3	70.5	70.0	68.5	100
Alberta	142.0	145.5	145.5	150.0	147.0	104
British Columbia - Colombie-Britannique	28.0	28.2	28.2	28.0	27.0	96
West - Total - Ouest	351.5	357.0	360.2	365.0	357.5	102
CANADA	1,114.4	1,125.5	1,121.6	1,116.6	1,104.5	99

TEXT TABLE III Cattle: Number on Farms, by Class and Province, January 1, 1984 and 1985
TABLEAU EXPLICATIF III Bovins: Nombre dans les fermes, par classe et province, le 1er janvier 1984 et 1985

Province	Total cattle and calves Gros bovins et veaux					Bulls, 1 year old or older Taureaux, 1 an et plus		
	Average 1981-1985 Moyenne 1981-1985	1984r	1985	1985 as a % of 1985 en % de 1981-1985	1984	1984	1985	1985 as a % of 1984 1985 en % de 1984
	thousands - milliers							
Nfld. - T.-N.	6.3	6.5	6.9	110	106	0.2	0.2	100
P.E.I. - I.-P.-E.	98.0	98.0	96.0	98	98	1.2	1.1	92
N.S. - N.-E.	132.9	135.6	137.0	103	101	1.7	1.7	100
N.B. - N.-B.	102.0	101.0	100.0	98	99	1.9	1.8	95
Que.	1,514.0	1,480.0	1,450.0	96	98	27.0	27.0	100
Ont.	2,740.4	2,657.0	2,595.0	95	98	32.0	31.0	97
East - Total - Est	4,593.6	4,478.1	4,384.9	95	98	64.0	62.8	98
Man.	974.5	935.0	902.0	93	96	18.0	18.0	100
Sask.	1,929.4	1,917.0	1,800.0	93	94	40.0	38.0	95
Alta. - Alb.	3,491.0	3,370.0	3,240.0	93	96	65.0	64.0	98
B.C. - C.-B.	660.0	660.0	638.0	97	97	12.5	12.5	100
West - Total - Ouest	7,054.9	6,882.0	6,580.0	93	96	135.5	132.5	98
CANADA	11,648.5	11,360.1	10,964.9	94	97	199.5	195.3	98

Province	Milk cows(1) - Vaches laitieres(1)			Dairy heifers(2) - Genisses laitieres(2)		
	1984r	1985	1985 as a % of 1984 1985 en % de 1984	1984r	1985	1985 as a % of 1984 1985 en % de 1984
	thousands - milliers					
Nfld. - T.-N.	2.7	3.0	111	0.9	0.9	100
P.E.I. - I.-P.-E.	23.1	22.6	98	8.3	8.0	96
N.S. - N.-E.	36.0	36.3	101	15.0	15.2	101
N.B. - N.-B.	28.2	29.0	103	10.9	11.1	102
Que.	690.0	690.0	100	240.0	235.0	98
Ont.	540.0	530.0	98	265.0	260.0	98
East - Total - Est	1,320.0	1,310.9	99	540.1	530.2	98
Man.	82.0	82.0	100	29.0	29.0	100
Sask.	84.0	84.0	100	18.0	18.0	100
Alta. - Alb.	157.0	157.0	100	45.0	44.0	98
B.C. - C.-B.	88.0	88.0	100	33.0	33.0	100
West - Total - Ouest	411.0	411.0	100	125.0	124.0	99
CANADA	1,731.0	1,721.9	99	665.1	654.2	98

	Beef cows(3) Vaches de boucherie(3)			Beef heifers for breeding(4) Genisses de boucherie pour la reproduction(4)		
	thousands - milliers					
Nfld. - T.-N.	1.0	1.0	100	0.2	0.2	100
P.E.I. - I.-P.-E.	11.3	11.0	97	3.1	2.8	90
N.S. - N.-E.	26.0	26.3	101	7.0	7.1	101
N.B. - N.-B.	17.8	17.5	98	5.0	4.9	98
Que.	160.0	154.0	96	36.0	36.0	100
Ont.	360.0	340.0	94	105.0	100.0	95
East - Total - Est	576.1	549.8	95	156.3	151.0	97
Man.	340.0	325.0	96	58.0	58.0	100
Sask.	830.0	785.0	95	120.0	116.0	97
Alta. - Alb.	1,290.0	1,210.0	94	140.0	140.0	100
B.C. - C.-B.	200.0	190.0	95	43.0	41.5	97
West - Total - Ouest	2,660.0	2,510.0	94	361.0	355.5	98
CANADA	3,236.1	3,059.8	95	517.3	506.5	98

(1) All females which have calved, raised mainly for milk purposes.
(1) Toutes les femelles qui ont vele, elevees pour la production laitiere.
(2) All females, 1 year and older, which have never calved, raised for dairy herd replacement.
(2) Toutes les femelles d'un an ou plus, qui n'ont jamais vele, elevees pour le remplacement des vaches laitieres.
(3) All females which have calved, raised mainly for beef purposes.
(3) Toutes les femelles qui ont vele, elevees pour la boucherie.
(4) All females, 1 year and older, which have never calved, raised for beef herd replacement.
(4) Toutes les femelles d'un an ou plus, qui n'ont jamais vele, elevees pour le remplacement des bovins de boucherie.

TEXT TABLE IV: Sheep: Number on Farms, by Age Group and Province, January 1, 1984 and 1985
TABLEAU EXPLICATIF IV. Moutons et agneaux: Nombre dans les fermes, par groupe d'age et province, le 1er janvier 1984 et 1985

Province	Average 1981-1985 / Moyenne 1981-1985	Total sheep and lambs / Total, moutons et agneaux 1984r	1985	1985 as a % of / 1985 en % de 1981-1985	1984	Sheep, 1 year old or older / Moutons, 1 an ou plus 1984r	1985	1985 as a % of 1984 / 1985 en % de 1984	Lambs, under 1 year old / Agneaux, moins d'un an 1984r	1985	1985 as a % of 1984 / 1985 en % de 1984
	thousands / milliers			%	%	thousands / milliers		%	thousands / milliers		%
Nfld. - T.-N.	4.0	3.5	3.3	82	94	2.9	2.7	93	0.6	0.6	100
P.E.I. - I.-P.-E.	4.8	4.9	4.9	102	100	3.7	3.6	97	1.2	1.3	108
N.S. - N.-E.	28.7	30.2	28.5	99	94	22.5	21.3	95	7.7	7.2	94
N.B. - N.-B.	8.2	8.2	7.9	96	96	5.9	5.6	95	2.3	2.3	100
Que.	80.6	85.0	81.0	100	95	72.0	69.4	96	13.0	11.6	89
Ont.	182.4	185.0	172.0	94	93	130.0	122.0	94	55.0	50.0	91
East - Total - Est	308.7	316.8	297.6	96	94	237.0	224.6	95	79.8	73.0	91
Man.	23.2	23.5	22.5	97	96	21.0	20.2	96	2.5	2.3	92
Sask.	44.5	42.0	37.5	84	89	28.0	25.2	90	14.0	12.3	88
Alta. - Alb.	131.2	134.0	130.0	99	97	91.0	90.3	99	43.0	39.7	92
B.C. - C.-B.	39.4	38.0	35.5	90	93	27.0	25.2	93	11.0	10.3	94
West - Total - Ouest	238.3	237.5	225.5	95	95	167.0	160.9	96	70.5	64.6	92
CANADA	547.0	554.3	523.1	96	94	404.0	385.5	95	150.3	137.6	92

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